

Fairfax County Economic Index

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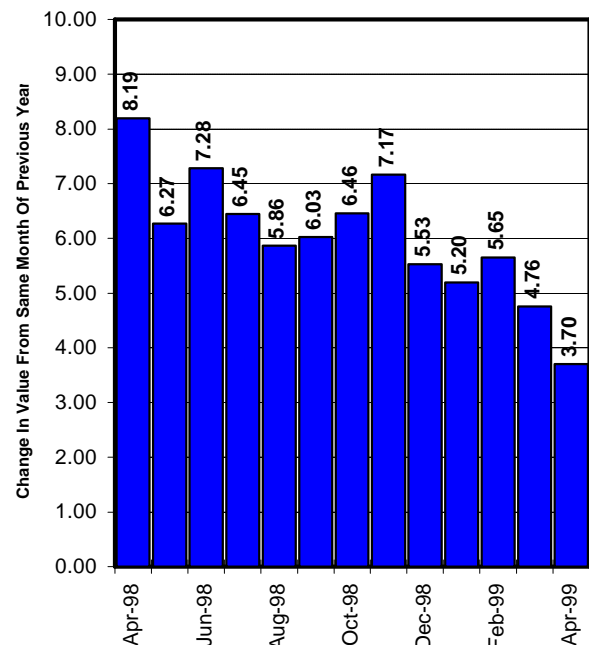
After Strong 1st Quarter, Economy Slows in April

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, was 121.14 in April, down 0.15 percent. The Coincident Index had gained 2.8 percent during the year's first quarter reflecting the economy's strong performance, while for the past twelve months, it was up a total of 3.15 percent. In April, three of the Index's four components were down.

- Transient Occupancy Tax collections, adjusted for inflation and seasonal variation, were down for the third time in the four months;
- Sales tax receipts declined in April and have been down in two of the year's first four months; and
- Consumer confidence declined after having peaked in March; however,
- Total employment was up sharply and has increased each month this year.

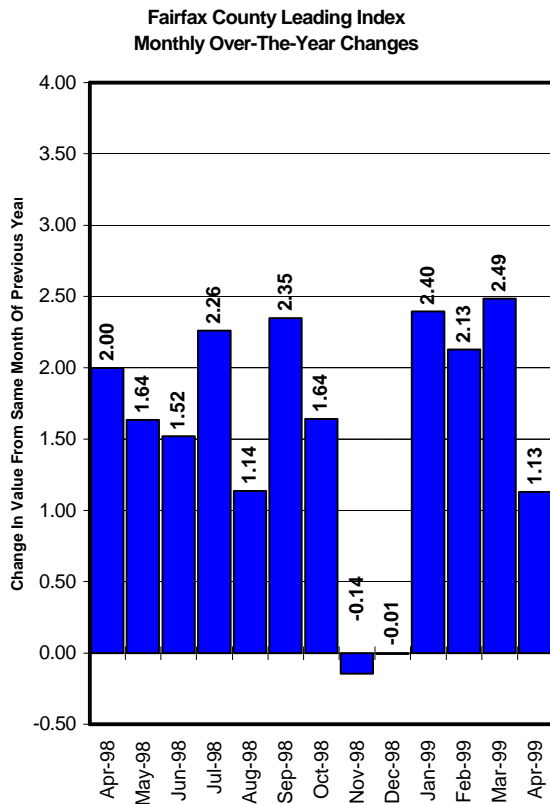
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, was 106.21, dropping 1.01 percent from March. This one-month decline is the Index's largest in

Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: GMU Center for Regional Analysis.

more than a year and follows a strong upward trend that began in December. For the past 12 months, the Leading Index has increased six times and decreased six times gaining 1.08 percent overall. In April, four of the Index's five components contributed to its decline.



Source: GMU Center for Regional Analysis.

- New automobile registrations declined in April after registering a strong gain in March and have now been down in three of the year's first four months;
- Initial claims for unemployment insurance were up sharply (worsened) following four months of decline (improvement);
- Consumer expectations (consumer confidence six months hence) declined after increasing three months in a row; and
- Residential building permits decreased slightly; while
- The total value of residential permits increased after declining for two months.

The County's economy has enjoyed seven full years of expansion since the recession ended in April 1992. Its strong performance over this period and particularly its acceleration beginning in 1997 has established conditions that will cause the economy's growth rate to moderate over the coming year. April's economic indicators may provide the first signs of this slowdown.

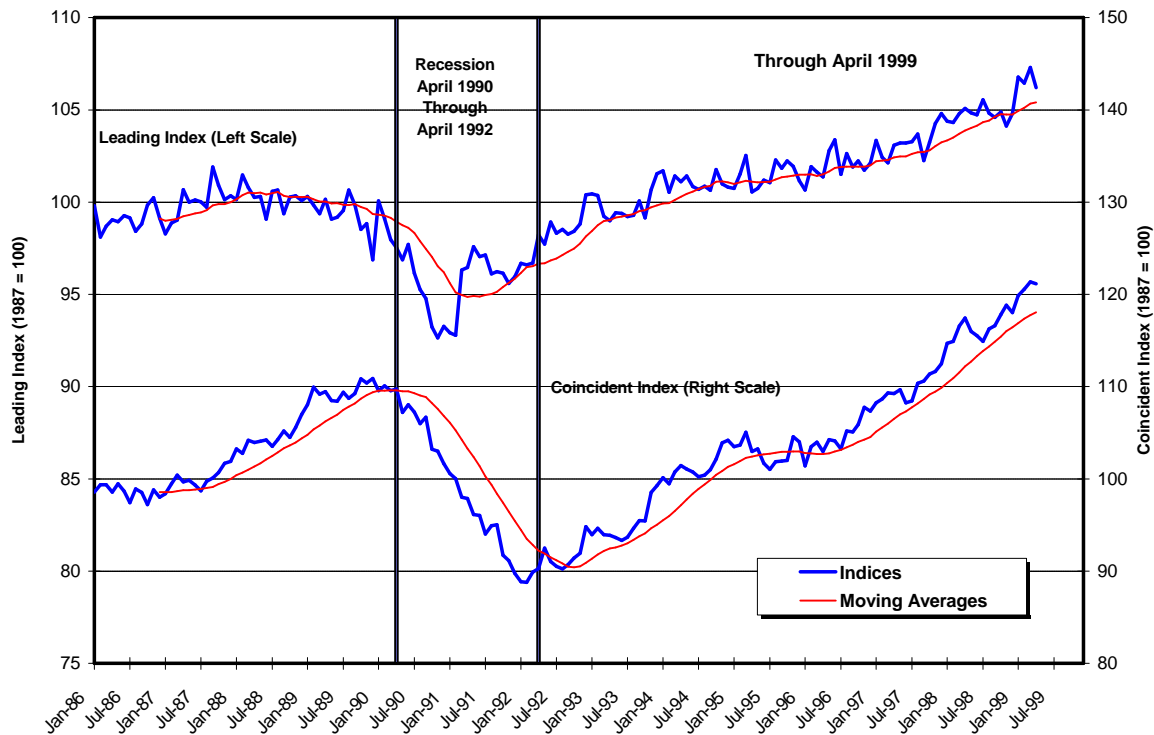
CURRENT CONDITIONS

Employment in the County continued to grow at an annualized 5 percent rate in April adding almost 24,000 new jobs on a monthly over-the-year basis. This year's job growth continued to run ahead of 1998's record level further tightening the labor market. Unemployment in the County has been under 2 percent all year and registered 1.4 percent in April. With the labor force growing at only 1.25 percent and the employment base increasing at 5 percent, the scarcity of workers could constrain future growth and contribute to increased wage pressures.

With consumer confidence dropping in April and consumer debt rising, retail sales have begun to slow. Compared to April 1998, retail sales, adjusted for inflation and seasonal variation, in the County were up just 2 percent; nationally monthly over-the-year retail sales were up more than 7 percent in April 1999. Automobile registrations are down in the County on both month-to-month and monthly over-the-year bases. As consumer spending accounts for two-thirds of the economy, any spending slowdown has important implications for the economy's future performance.

Other external factors will impact the County's economy. The first serious sign of inflationary pressure appeared in April and with it the threat of higher interest rates. The Federal Reserve Board has indicated its intention to raise the federal funds rate to reduce the economy's

Business Cycle Indicators -- Fairfax County, Virginia



Source: GMU Center for Regional Analysis.

growth rate. As a result of this threat, interest rates are already rising. Home mortgage rates have slowly moved higher all spring and are now at their highest rate in more than two years. Higher mortgage interest rates will quickly dampen housing sales. With slower housing sales, durable goods retail sales will also slow

NEAR-TERM OUTLOOK

These trends in the County are not unique. At the metropolitan level, the economy has followed a similar pattern of performance. Its record first quarter has given way to slower growth in April with both the Leading and Coincident Indices pointing down. The National Leading Index also dropped in April following no change in March after five months of gains. These one-month decreases in the indicators at the national, metropolitan and county levels are not

turning signals. What they show is a broad-based slowing in the economy that could easily continue as costs increase and consumers limit their spending.

The County's economy is estimated to have grown 5.5 percent last year, the fastest since 1989. The forecast for 1999 and 2000 is for slower growth of 4.5 percent and 3.2 percent, respectively. While this slowdown may appear substantial, these growth rates will generate job gains of between 18,000 and 20,000 annually, levels similar in magnitude to gains in 1997 and 1998. With these levels of growth the County's economy will become the largest in the metropolitan region, exceeding the District of Columbia's, by 2002.

We are on the web at:
www.co.fairfax.va.us/comm/economic/economic.htm

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Apr-99 Prelim.	Mar-99 Final	Apr-98 Final	Mar-99 to Apr-99	Apr-98 to Apr-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	121.14	121.33	117.44	-0.15	3.15
Leading Index (1987 = 100)	106.21	107.30	105.08	-1.01	1.08
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	503,302	497,519	479,540	1.16	4.96
<i>Total Covered Employment (Unadjusted)</i>	<i>499,562</i>	<i>494,429</i>	<i>475,977</i>	<i>1.04</i>	<i>4.96</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	315	356	317	-11.69	-0.84
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>422</i>	<i>457</i>	<i>411</i>	<i>-7.75</i>	<i>2.64</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,910	8,474	7,755	-6.66	2.00
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,798</i>	<i>10,000</i>	<i>9,545</i>	<i>-2.02</i>	<i>2.65</i>
South Atlantic Consumer Confidence	180	184	176	-2.60	2.28
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,658	6,506	6,589	-13.04	-14.14
<i>Automobile Registrations (Unadjusted)</i>	<i>5,562</i>	<i>6,611</i>	<i>6,478</i>	<i>-15.87</i>	<i>-14.14</i>
Initial Unemployment Claims (Seasonally Adjusted)	650	509	631	27.63	3.04
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>644</i>	<i>558</i>	<i>625</i>	<i>15.41</i>	<i>3.04</i>
South Atlantic Consumer Expectations	109.4	120.2	119.9	-8.99	-8.76
Residential Building Permits (Number of Units, Seasonally Adjusted)	971	985	442	-1.40	119.74
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>1,013</i>	<i>1,183</i>	<i>461</i>	<i>-14.37</i>	<i>119.74</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	46,082	41,575	32,660	10.84	41.10
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>74,815</i>	<i>71,594</i>	<i>51,225</i>	<i>4.50</i>	<i>46.05</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	542,380	544,757	535,666	-0.44	1.25
<i>Total Labor Force (Unadjusted)</i>	<i>545,084</i>	<i>539,805</i>	<i>533,009</i>	<i>0.98</i>	<i>2.27</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.48	1.49	1.72	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.36</i>	<i>1.46</i>	<i>1.60</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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